CORBYN INVESTMENT MANAGEMENT, INC.

April 2020

Dear Clients and Advisors:

The U.S. economy began 2020 on solid ground, but the rapid spread of the novel coronavirus around the globe led to a sudden and dramatic change in the worldwide economic outlook. As country after country reported an increasing number of people contracting the virus, it became apparent that the world was not prepared for the rapidly developing pandemic and dramatic steps would be required to prevent individual nations' health care systems from becoming overwhelmed. Governments throughout the world were forced to take unprecedented steps by issuing stay-at-home orders, forcing "non-essential" businesses to close indefinitely, and asking citizens to practice social distancing.

While investors were trying to gauge the extent of the economic impact from the coronavirus, Russia and Saudi Arabia failed to extend an existing agreement to limit oil production. Instead, Saudi Arabia announced that they would substantially increase oil production, causing the price of oil to fall suddenly and precipitously, triggering a crisis throughout the domestic energy business in the United States. This came at a particularly inopportune time as the energy industry is a meaningful part of the U.S. economy and global demand for oil was sharply declining due to the spread of the coronavirus.

Due to the rapid escalation of the coronavirus crisis and the absence of a clear understanding of how severe the economic impact of the unprecedented government actions might be, investors sought cash in mid-March by aggressively selling stocks, bonds, gold, and commodities – with virtually every asset class seeing price declines. Even so-called "safe haven" investments saw prices fall, including traditionally defensive sectors of the equity market (utilities, consumer staples and healthcare), gold, short-term debt and, during the worst of the liquidity crunch, U.S. Treasuries. Given the speed, depth and breadth of the market sell-off, some investors who employ leverage within their investment strategies – including many computer-generated strategies - were forced to sell nearly anything they could, at almost any price, in order to satisfy margin calls and reduce leverage. This forced selling accelerated the broad market sell-off, exaggerated the extent of the downward price action and drove some investors to make emotional decisions to liquidate at any price. Furthermore, massive outflows from passive investment funds, which seek to replicate specific market indices, forced managers to sell securities to meet redemption requests, with many sales made programmatically without regard for underlying fundamentals.

In response to the extreme market volatility, the Federal Reserve stepped in to provide liquidity by purchasing Treasury securities and implementing programs to purchase investment-grade debt securities, commercial paper and municipal bonds. We believe these actions helped to balance and calm the markets, allowing investors to be more thoughtful on how to adjust their portfolios going forward.

In addition to the monetary actions by the Federal Reserve, the Federal Government passed a $2 trillion spending bill designed to provide funds to people who have temporarily lost their jobs, small and medium-sized businesses and certain industries, such as the airlines that have been severely hurt by the crisis. Despite these government actions, economic risks remain elevated, as the duration of the healthcare crisis and associated mitigation measures remain uncertain and constantly in flux. However, when signs begin to appear that an economic recovery is brewing, the recovery in the financial markets could be quite strong.

It was a very difficult quarter for virtually every investor. The Dow Jones Industrial Average, after reaching a record high in mid-February, recorded its worst first quarter performance in history and all other major market indices also plunged. The market sell-off was sharp and quick and many of the equity holdings in our portfolios experienced significant price declines. Companies in industries directly affected by the crisis such as travel, finance and energy suffered the largest price declines. A “shoot-first, aim-later” mentality took hold while investors grappled with the challenge of trying to determine the extent of the disruption to each company and how long it would take for businesses in those industries to recover. The fixed income securities in the portfolios also saw unusual price volatility during March as the wave of forced selling caused disorderly markets. As the corporate bond market started to settle down towards the end of the quarter, prices of many securities began to recover, although bonds of companies directly affected by government-mandated shutdowns remained under pressure.

Although the markets are likely to remain quite volatile as they digest the rapidly changing news flow related to the coronavirus, it is not too early to consider how consumer and business behavior may change going forward and what, if any, long-term implications may ultimately develop. While we recognize how difficult it is to be invested during times of extreme market volatility, these periods usually provide attractive investment opportunities to those investors who maintain a rational long-term outlook and resist letting fear dominate their decisions.

We cannot predict the exact severity or duration of the economic consequences associated with the coronavirus, but we can control our reactions and stay focused on adjusting the portfolios to put them in the strongest position possible as we move through this crisis and into the recovery phase. Importantly, we will maintain our long-term approach to investing as we consider and continue to execute changes to the portfolios. This may involve continuing to adjust the position sizes of existing holdings or purchasing new securities. With respect to existing holdings, we have been re-examining our original investment theses, as some have been structurally changed by recent developments. We are sifting through new opportunities that have surfaced during these volatile times and searching for securities that we believe can weather the current environment and prosper going forward.

We have been and will continue to make portfolio changes at a measured pace, being careful to keep options open for additional moves as we believe clients are best served by maintaining some cash as "dry powder," so we are able to take advantage of opportunities as they arise during these volatile times. Market sell-offs expand the universe of investments available at attractive prices. As valuations have moved lower, we are able to consider securities of companies that were far more expensive just a few months ago but now appear more reasonably valued. Although the current environment will undoubtedly cause some disruption to the near-term outlook for every business, there are many companies whose long-term prospects have not changed significantly.

Be assured that the entire Corbyn team is working diligently during these historical times. Our driving objective is thoughtfully navigating our way through this volatile environment, repositioning the portfolios, and preparing for the eventual recovery.

We sincerely hope that each and every client and advisor is remaining as healthy, safe and optimistic as possible. We are focused on being constructive and, if needed, always remain available to talk with you to discuss our strategies, investment moves and future outlook in further detail.

Humbly,

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